

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name		County
Fiscal Year End	Opinion Date		Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

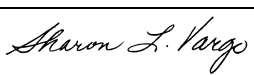
YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature 	Printed Name		License Number	

**Dial-A-Ride Fund of the City of
Buchanan, Michigan
Berrien County, Michigan**

**Financial Report
with Supplemental Information
September 30, 2006**

Dial-A-Ride Fund of the City of Buchanan, Michigan

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Independent Auditor's Report

To the Dial-A-Ride Fund of the
City of Buchanan, Michigan
Buchanan, Michigan

We have audited the accompanying financial statements of the Dial-A-Ride Fund of the City of Buchanan, Michigan as of and for the year ended September 30, 2006, as listed in the table of contents. These financial statements are the responsibility of the City of Buchanan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the Dial-A-Ride Fund and do not purport to, and do not, present fairly the financial position of the City of Buchanan, Michigan as of September 30, 2006 or the changes in its financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Dial-A-Ride Fund of the City of Buchanan, Michigan as of September 30, 2006 and the changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the financial statements of the Dial-A-Ride Fund. The budgetary comparison schedule - General Fund is not a required part of the financial statements but is supplemental information required by accounting principles generally accepted in the United States of America. The other supplemental information listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the financial statements. The schedule of net eligible cost computations of general operations has been subjected to the procedures applied in the audit of the fund financial statements and, in our opinion, is fairly stated in all material respects in relation to the fund financial statements taken as a whole. The schedule of mileage data has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

To the Dial-A-Ride Fund of the
City of Buchanan, Michigan
Buchanan, Michigan

The Dial-A-Ride Fund of the City of Buchanan, Michigan has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Plante & Moran, PLLC

December 1, 2006

Dial-A-Ride Fund of the City of Buchanan, Michigan

Governmental Fund Balance Sheet/Statement of Net Assets (Deficit) September 30, 2006

Assets

Cash (Note 2)	\$	22,007
Investments (Note 2)		38,389
Taxes receivable		8,016
Due from other governmental units		<u>1,485</u>

Total assets 69,897

Liabilities

Accounts payable		8,962
Deferred revenue		<u>61,206</u>

Total liabilities 70,168

Fund Balance/Net Assets (Deficit) - Unrestricted \$ (271)

Dial-A-Ride Fund of the City of Buchanan, Michigan

Statement of Governmental Revenue, Expenditures, and Changes in Fund Balance/Statement of Activities Year Ended September 30, 2006

Revenue

Program:

Federal sources - U.S. DOT Operating Grant (Section 5311)	\$ 16,333
State sources - Local Bus Operating Assistance (Act 51) (Note 4)	44,064
Farebox revenue	10,961
Miscellaneous revenue	1,681

General:

Property taxes	60,883
Investment income and miscellaneous	<u>1,046</u>

Total revenue 134,968

Expenditures - Program - Operating costs - Purchased transportation
service and insurance

134,852

Excess of Revenue Over Expenditures/Change in Net Assets

116

Fund Balance/Net Assets (Deficit) - Beginning of year

(387)

Fund Balance/Net Assets (Deficit) - End of year

\$ (271)

Dial-A-Ride Fund of the City of Buchanan, Michigan

Notes to Financial Statements September 30, 2006

Note 1 - Nature of Organization and Summary of Significant Accounting Policies

The accounting policies of the Dial-A-Ride Fund of the City of Buchanan, Michigan ("Dial-A-Ride") conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies.

Reporting Entity

The accompanying component unit financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. The Dial-A-Ride Fund of the City of Buchanan, Michigan is a Special Revenue Fund of the City of Buchanan, Michigan which has a fiscal year ending June 30.

The City of Buchanan, Michigan enters into a contract on an annual basis with Transportation Management, Inc. to provide bus services.

Basis of Accounting

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Dial-A-Ride's basic financial statements include both government-wide (reporting Dial-A-Ride as a whole) and fund financial statements (reporting Dial-A-Ride's funds). These financial statements are shown on a combined (government-wide and fund) basis given that there are no differences between the two presentations for an entity of this nature.

Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets (deficit) and the statement of activities) are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Property taxes billed during the month of July will be used to finance the following year's operations. As such, these taxes are recorded as deferred revenue. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of net assets (deficit) includes and recognizes all long-term assets and receivables as well as long-term debt and obligations. Dial-A-Ride's net assets are entirely unrestricted.

Dial-A-Ride Fund of the City of Buchanan, Michigan

Notes to Financial Statements September 30, 2006

Note 1 - Nature of Organization and Summary of Significant Accounting Policies (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes (1) charges to Dial-A-Ride patrons who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meet the operational or capital requirements of a particular function or segment. Taxes and other items are not properly included among program revenues and are reported instead as general revenue.

Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, Dial-A-Ride considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Property taxes are considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. Property taxes billed during the month of July will be used to finance the following year's operations. As such, these taxes are recorded as deferred revenue at September 30. All other revenue items are considered to be available only when cash is received by Dial-A-Ride.

Dial-A-Ride reports one major governmental fund, the General Fund. The General Fund is Dial-A-Ride's primary operating fund. It accounts for all financial resources of Dial-A-Ride.

Financial Statement Amounts

Bank Deposits and Investments - Dial-A-Ride has defined cash and cash equivalents to include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Dial-A-Ride Fund of the City of Buchanan, Michigan

Notes to Financial Statements September 30, 2006

Note 1 - Nature of Organization and Summary of Significant Accounting Policies (Continued)

Receivables - All trade and property taxes receivable are shown net of an allowance for uncollectible amounts. Property taxes are levied on July 1 based on the taxable valuation of the property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

Property Tax Revenue - The 2005 taxable valuation of the Dial-A-Ride Fund of the City of Buchanan, Michigan totaled \$78.2 million, on which taxes levied consisted of .75 mills. This resulted in total tax revenue of approximately \$59,000 for the year ended September 30, 2006.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Note 2 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

Dial-A-Ride, through the City of Buchanan, Michigan has designated one bank for the deposit of its funds. The investment policy adopted by Dial-A-Ride, via the City Commission, in accordance with Public Act 196 of 1997, has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of state statutory authority as listed above. Dial-A-Ride's deposits and investment policies are in accordance with statutory authority.

Dial-A-Ride Fund of the City of Buchanan, Michigan

Notes to Financial Statements September 30, 2006

Note 2 - Deposits and Investments (Continued)

Dial-A-Ride's cash and investments at September 30, 2006 are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, Dial-A-Ride's deposits may not be returned to it. Dial-A-Ride does not have a deposit policy for custodial credit risk. At year end, Dial-A-Ride had \$22,007 of bank deposits (certificates of deposit, checking, and savings accounts). The federal depository insurance coverage pertains to all the deposits of the City of Buchanan; hence, the specific coverage pertaining to Dial-A-Ride's deposits, if any, is not determinable.

Custodial Credit Risk of Investments

Custodial credit risk is the risk that, in the event of failure of the counterparty, Dial-A-Ride will not be able to recover the value of its investments or collateral securities that are not in possession of an outside party. Dial-A-Ride does not have a policy for custodial credit risk. At year end, the following investment securities were uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in Dial-A-Ride's name:

Investment	Fair Value	How held
Ginnie Mae Pooled Fund	\$ 1,288	Counterparty's trust dept
Federal Home Loan Mortgage	3,112	Counterparty's trust dept
Federal National Mortgage Association	7,786	Counterparty's trust dept
Federal Farm Credit Bank	3,445	Counterparty's trust dept
Federal Home Loan Bank	7,224	Counterparty's trust dept
U.S. Treasury notes	9,930	Counterparty's trust dept

Dial-A-Ride Fund of the City of Buchanan, Michigan

Notes to Financial Statements September 30, 2006

Note 2 - Deposits and Investments (Continued)

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. Dial-A-Ride's investment policy does not restrict investment maturities. At year end, the average maturities of investments are as follows:

Investment	Fair Value	Weighted Average
Ginnie Mae Pooled Fund	\$ 1,288	4.07 years
Federal Home Loan Mortgage	3,112	1.81 years
Federal National Mortgage Association	7,786	3.53 years
Federal Farm Credit Bank	3,445	1.75 years
Federal Home Loan Bank	7,224	2.19 years
U.S. Treasury notes	9,930	2.19 years

Credit Risk

State law limits investments in commercial paper to the top two rating issued by nationally recognized statistical rating organizations. Dial-A-Ride has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Fair Value	Rating	Organization
Federal Home Loan Mortgage	\$ 3,112	AAA	Moody's
Federal National Mortgage Association	7,786	AAA	Moody's
Federal Farm Credit Bank	3,445	AAA	Moody's
Federal Home Loan Bank	7,224	AAA	Moody's

Dial-A-Ride Fund of the City of Buchanan, Michigan

Notes to Financial Statements September 30, 2006

Note 2 - Deposits and Investments (Continued)

Concentration of Credit Risk

Dial-A-Ride places no limit on the amount it may invest in any one issuer. More than 5 percent of the Dial-A-Ride's investments are in the following investments:

Investment	Percent
Federal Home Loan Mortgage	8
Federal National Mortgage Association	20
Federal Farm Credit Bank	9
Federal Home Loan Bank	19
U.S. Treasury notes	26
Ginnie Mae Pooled Fund	3

Note 3 - Stewardship, Compliance, and Accountability

Prior to the start of the new fiscal year, the annual budget is prepared by Transportation Management, Inc. and adopted by the City Commission with the approval of the contract.

The budget has been adopted on an activity basis; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. The budget has been prepared in accordance with accounting principles generally accepted in the United States of America.

A comparison to the budget as adopted is shown in the required supplemental information for the year ended September 30, 2006.

Note 4 - State Revenue Sources

Dial-A-Ride's operating assistance is based on a budget that is estimated two years in advance. Any unexpended budget amounts reduce funding in the subsequent year. Budget excesses may also be reimbursed in a subsequent year. Unexpended amounts were offset against payments from the State as follows:

State operating assistance	\$ 51,429
Prior year overpayment	<u>(7,365)</u>
State revenue	<u>\$ 44,064</u>

Dial-A-Ride Fund of the City of Buchanan, Michigan

Notes to Financial Statements September 30, 2006

Note 5 - Risk Management

The Dial-A-Ride Fund of the City of Buchanan, Michigan is exposed to various risks of loss related to property loss, torts, and errors and omissions. The City participates in the Michigan Municipal League risk pool for claims relating to property liability. Settled claims have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan. Member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

Required Supplemental Information

Dial-A-Ride Fund of the City of Buchanan, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended September 30, 2006

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Revenue			
Property taxes	\$ 55,188	\$ 60,883	\$ 5,695
Federal sources	11,476	16,333	4,857
State sources	50,347	44,064	(6,283)
Farebox revenue	14,000	10,961	(3,039)
Investment income and miscellaneous	-	2,727	2,727
Total revenue	131,011	134,968	3,957
Expenditures - Operating costs - Purchased transportation service	131,011	134,852	(3,841)
Excess of Revenue Over Expenditures	-	116	116
Fund Balance (Deficit) - Beginning of year	(387)	(387)	-
Fund Balance (Deficit) - End of year	<u>\$ (387)</u>	<u>\$ (271)</u>	<u>\$ 116</u>

Other Supplemental Information

Dial-A-Ride Fund of the City of Buchanan, Michigan

Schedule of Net Eligible Cost Computations of General Operations Year Ended September 30, 2006

	Nonurban City	Small Urban City	Total
Expenditures:			
Purchased transportation service	\$ 115,370	\$ 28,844	\$ 144,214
Less ineligible expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Net eligible expenditures	<u>\$ 115,370</u>	<u>\$ 28,844</u>	<u>\$ 144,214</u>
Maximum Section 5311 reimbursement	<u>\$ 19,613</u>		
State operating assistance - Based on 39.25% of budgeted expenditures			<u>\$ 51,422</u>

Dial-A-Ride Fund of the City of Buchanan, Michigan

Schedule of Mileage Data Public Transportation Year Ended September 30, 2006 (Unaudited)

Vehicle mileage:

First quarter	6,064
Second quarter	9,416
Third quarter	9,384
Fourth quarter	<u>8,267</u>

Total vehicle miles	<u><u>33,131</u></u>
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The methodology used for compiling mileage has been reviewed and found to be adequate and a reliable method for recording vehicle mileage.